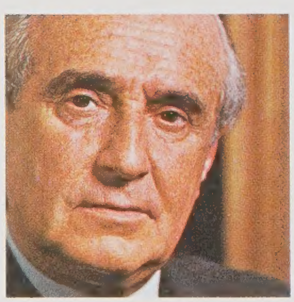
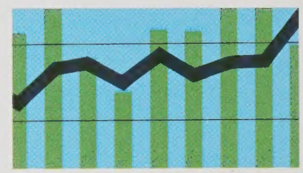
Brascan LIMITED ANNUAL REPORT 1970

Brascan
LIMITED

25 King Street West, Toronto 1, Canada

Contents





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Brascan
LIMITED

Comparative Highlights (Dollar amounts expressed in U.S. currency)

	1970	1969
	$ millions	$ millions
Property, plant and equipment at cost	1,030.0	962.1
Long-term debt	56.8	66.9
Shareholders' equity	681.9	636.6
Electric operating revenues	369.3	302.8
Capital expenditures	77.9	75.1
Net income	66.5	60.1
Total cash dividends	21.1	24.6
Ordinary shares outstanding (average)*	23,285,407	23,265,018
Book value per ordinary share—December 31*	$29.28	$27.33
Net income per ordinary share*	$ 2.86	$ 2.58
Cash dividends declared per ordinary share	$ 1.00	$ 1.25
Stock dividend declared per ordinary share	10%	20%
Kilowatt-hours sold—millions	17,919	16,880

*Adjusted for 10% stock dividend declared December 1970. The 1969 figures have been restated in order to present a more meaningful comparison.

Directors

HERMANN J. ABS / *Frankfurt on Main*
Chairman, Deutsche Bank AG

J. H. A'COURT* / *Toronto*
VICE-PRESIDENT, FINANCE

PIERRE ANSIAUX / *Brussels*
Member of the Bar of the Supreme Court of Belgium

A. T. A. ANTUNES / *Rio de Janeiro*
President, Indústria e Comércio de Minérios S. A.

THIERRY BARBEY / *Geneva*
Managing Partner, Lombard, Odier & Cie

HENRY BORDEN* / *Toronto*
Director and member of Executive Committee, Bell Canada

PAUL G. DESMARAIS / *Montreal*
Chairman, Power Corporation of Canada, Limited

JOHN F. GALLAGHER / *Chicago*
Vice-President, International Operations, Sears, Roebuck and Co.

ANTONIO GALLOTTI / *Rio de Janeiro*
VICE-PRESIDENT; President,
Light - Serviços de Eletricidade S. A.

J. PETER GRACE / *New York*
President, W. R. Grace & Co.

LEWIS B. HARDER* / *New York*
Chairman, International Mining Corporation

N. E. HARDY / *London, Ontario*
President, John Labatt Limited

W. C. HARRIS* / *Toronto*
Chairman, Harris & Partners Limited

LOUIS A.-LAPOINTE / *Montreal*
Chairman and President, Miron Company Ltd.

A. J. MacINTOSH / *Toronto*
Partner, Blake, Cassels & Graydon

PAUL E. MANHEIM* / *New York*
Limited Partner, Lehman Brothers

WILLIAM J. MANNING / *New York*
Partner, Simpson Thacher & Bartlett

BEVERLEY MATTHEWS* / *Toronto*
Partner, McCarthy & McCarthy

NEIL J. McKINNON* / *Toronto*
Chairman, Canadian Imperial Bank of Commerce

WILLIAM G. MEESE / *Detroit*
President, The Detroit Edison Company

J. H. MOORE* / *London, Ontario*
PRESIDENT

JOHN G. PHILLIMORE / *London*
Managing Director, Baring Brothers & Co., Limited

Honorary Director

W. A. G. KELLEY / *Toronto*

*Member of the Executive Committee

Officers

J. H. MOORE / *President*

ANTONIO GALLOTTI / *Vice-President*

J. H. A'COURT / *Vice-President, Finance*

C. E. SAWYER / *Vice-President, Industrial Development*

L. A. ALLEN / *Secretary*

A. R. G. AMENT / *Treasurer*

R. R. SUTHERLAND / *Comptroller*

Light—Serviços de Eletricidade S.A.

Directors

ANTONIO GALLOTTI / *President*

J. J. MARQUES FILHO / *Vice-President*

RUY BESSONE P. CORRÊA

JOSÉ RUBEM FONSECA

J. S. FREITAS

ALEXANDRE H. LEAL

M. H. MACKENZIE

J. S. MONTEIRO

ANTONIO DE ALMEIDA NEVES

ALBERTO DO AMARAL OSÓRIO

A. A. DE AZEVEDO SODRÉ

R. E. SPENCE

Other Subsidiary Companies in Brazil

EMPRÊSA TÉCNICA DE ORGANIZAÇÃO E PARTICIPAÇÕES S.A.

ORGANIZAÇÃO E EMPREENDIMENTOS GERAIS S.A.

BANCO BRASCAN DE INVESTIMENTO S.A.
(a subsidiary of Emprêsa Técnica de Organização e Participações S.A.)

ANTONIO GALLOTTI / *President*

Transfer Agents

National Trust Company, Limited
Toronto, Montreal and Vancouver

First National City Bank *New York*

Registrars

Canadian Imperial Bank of Commerce
Toronto, Montreal and Vancouver

Bankers Trust Company *New York*

Associated Companies

Canadian-Brazilian Services Limited *Toronto*

American-Brazilian Suppliers, Inc. *New York*

Annual Meeting

The Annual and Special General Meeting of the Shareholders will be held at the Royal York Hotel, Toronto on Tuesday, June 1, 1971 at 11 o'clock in the morning.

Corporate structure

Brascan LIMITED

An investment management company (incorporated in Canada)

BRAZILIAN LIGHT LIMITED (100%)

A Canadian foreign business corporation

CANADIAN INVESTMENTS
ASSETS $127 MILLION

JOHN LABATT LIMITED (32%)
A Canadian management holding company engaged, through its group of companies, in the manufacture, distribution and sale of beverages and a wide range of industrial products, consumer food products and food service

HUDSON'S BAY COMPANY (6%)
A retail and wholesale company with interests in oil and gas exploration

ELF OIL EXPLORATION & PRODUCTION CANADA LTD. (15%)
An oil exploration and development company controlled in France

MIKAS OIL CO. LTD. (100%)
A Canadian oil production and exploration company

OTHER ASSETS AND INVESTMENTS

GOVERNMENT-GUARANTEED NOTES
$71 MILLION

Sum owing to Brascan from the sale of its telephone utilities to the Government of Brazil in 1966

UTILITY INVESTMENT
ASSETS $820 MILLION

LIGHT (83%)
(Light—Serviços de Eletricidade S.A.)
Generation, purchase, transmission and distribution of electric power in concession areas which include São Paulo and Rio de Janeiro

OTHER BRAZILIAN INVESTMENTS
ASSETS $42 MILLION

INVESTMENT SUBSIDIARIES

OEG (100%)
(Organização e Empreendimentos Gerais S.A.)

TOP (100%)
(Emprêsa Técnica de Organização e Participações S.A.)

BANCO BRASCAN (100%)
(Banco Brascan de Investimento S.A.)
Investment Bank

FÁBRICAS PEIXE (80%)
(Indústrias Alimentícias Carlos de Britto S.A.)
Food processing

CELANESE (45%)
(Celanese do Brasil S.A.)
Manufacturing—nylon yarn

FNV (35%)
(Fábrica Nacional de Vagões)
Manufacturing—railway rolling stock, automotive parts, etc.

EUCATEX (12%)
(Eucatex S.A.—Indústria e Comércio)
Manufacturing—acoustic tile, hardboard, etc.

GARCIA (19%)
(Emprêsa Industrial Garcia S.A.)
Manufacturing—terry towelling, linen goods, etc.

FARLOC (42%)
(Farloc do Brasil S.A.—Indústria e Comércio)
Manufacturing—automotive replacement parts

BIB (7%)
(Banco de Investimento do Brasil S.A.)
Investment Bank

BRINK'S (49%)
(Brink's S.A.—Transporte de Valôres)
Armoured car transport of valuables

OTHER ASSETS AND INVESTMENTS

	Assets at book value (in thousands)
Canadian Investments	$ 126,824
Government-Guaranteed Notes	71,542
Utility Investment	820,342
Other Brazilian Investments	42,204
Total per balance sheet	$1,060,912

CANADA
BRAZIL

Brascan, the company's name, is a combination of the first four letters of the Brazilian spelling of Brazil (**Bras**il) and the first three letters of **Can**ada.

Directors' Report

The Directors are pleased to submit to shareholders this 58th annual report covering the operations of the company for the year ended December 31, 1970 and its financial condition at that date. For the past several years the character of your company has been in the process of change. Brascan Limited today is an investment management company with a wide and developing range of interests on both continents of the Western Hemisphere. This is reflected in the name of the company itself. The extensive and growing investments in Brazil are indicated in the first part of the name, taken from the Brazilian spelling — Brasil. Equally, the investment in Canadian companies is suggested by the second part of the company name.

You will note that the financial statements are presented in a new form in this year's report, to provide a fuller interpretation of your company's total operations. At the present time and for the foreseeable future it is expected that the utility operations in Brazil will continue to be the principal source of income for the company. However, we believe that the new method of financial reporting provides a clearer picture of the evolving structure of the company and of the growth of its investments in both Brazil and Canada.

The reputation enjoyed by the electric utility company in Brazil was made clear by the enthusiastic response when shares of the Light were offered to the Brazilian public, initially in 1960 and subsequently in 1969. Today, there are more than 150,000 Brazilian shareholders of the Light, holding 16.3 per cent of the shares of that company. It is noteworthy also that for many years the senior operating officials of Light have been Brazilian.

Net Income and Dividends

Net income increased by 10 per cent to $66.5 million* in 1970 from the $60.1 million earned in 1969. After adjustment for the shares issued on January 29, 1971 in payment of the stock dividend declared in December, 1970, net income for 1970 amounted to $2.86 per share, compared with $2.58 per share in 1969. The increase is attributable to the electric utility where the large investment in new plant and the recovery of the prior year's deficiency of earnings gave rise to higher operating income.

Approximately 46 per cent ($1.31 per share) of 1970 net income represented hard currency earnings, compared with 43 per cent ($1.10 per share) in the previous year. The company's electric subsidiary, after paying its regular annual dividend in May, 1970, started paying semi-annual dividends in the second half of the year. The result was to inflate abnormally the amount of utility earnings converted into dollars. Cash dividends were paid in 1970 at the regular rate of $1.00 per ordinary share. A 10 per cent stock dividend was also declared in December and paid in January of the current year.

Electric Operations in Brazil

During 1970 Brazil sustained the high rate of growth achieved in the previous year. Gross Domestic Product once again increased by 9.5 per cent in real terms. Inflation continued, but at a slower rate than in 1969. As measured by the cost of living index in Guanabara, internal prices rose just under 21 per cent, compared with 24 per cent in 1969. Exports increased by 17 per cent to $2.7 billion, and Brazil's foreign exchange reserves at the year-end approximated $1.1 billion.

Approximately 800,000 kw of new generating capacity was added in 1970 to the systems of the government-owned companies located in the south-central region of Brazil. These companies supplied some 53 per cent of the 1970 energy load of the Light. River flows and water storages remained satisfactory throughout the year, and all demands on the inter-connected systems were met.

Electric sales of the Light in 1970 amounted to 17.9 billion kilowatt hours, representing an increase of 6 per cent over sales of the previous year. The total number of customers connected to Light's systems rose 7.3 per cent to 3 million. Expenditure on the improvement and extension of transmission and distribution facilities totalled $77.9 million. It is anticipated that $110.0 million will be spent on the expansion program in 1971.

Investment in Canada

During 1970 Brascan proceeded with the gradual implementation of its plans to develop an expanding investment

*Dollar figures throughout this report are U.S. dollars, except where indicated otherwise.

program in Canada. Early in the year the company added to its holdings in John Labatt Limited, increasing its investment in that widely-diversified organization to approximately one-third of the outstanding common shares. In May it undertook to invest Can. $40 million over a maximum period of five years in Elf Oil Exploration and Production Canada Limited in return for a 15 per cent equity interest. Towards the end of the year Brascan Limited purchased 6.1 per cent (829,080 shares) of the outstanding shares of Hudson's Bay Company, and since the year-end this holding has been slightly increased.

The foregoing investments are described in more detail elsewhere in this report, but I would like to refer specifically to Elf Canada. That company's land holdings are in the frontier areas of Canada, particularly in the Arctic sedimentary basins. The vast reserves of oil and gas thought to be contained in these areas have not yet been proven, but the pioneer type of exploration being actively carried on there by Elf Canada (and a few other large groups of companies) offers potential rewards which appear to be commensurate with the risks assumed.

At the time of the purchase of the Elf shares, Brascan became a Canadian tax-paying company, which allows the company greater flexibility in investing, and makes it possible to participate in the direction of Canadian companies in which investments are made. Another consequence of this step is that Canadian individual shareholders are now entitled to claim the 20 per cent tax credit on dividends paid by the company.

Because the whole question of a revision of the Canadian taxation system is still before the government, it is not possible at this writing to provide any useful comment as to the likely effect on your company of the tax reform. Until these changes take effect, it is not expected that any substantial amount of Canadian income tax will be payable by the company.

Non-utility Investment in Brazil

No new equity investments were made in Brazil in 1970, but the company increased its holdings in three existing investments — Fábricas Peixe, Fábrica Nacional de Vagões and Celanese do Brasil S.A. Information on these companies is provided in other parts of this report.

The company now holds indirectly an 80 per cent interest in Fábricas Peixe, and it will be noted that $2 million has been charged against income as a provision for losses incurred by it in 1970. The problem areas in this company have been identified and these will have to be resolved before its potential can be realized.

The activities of the company's investment banking subsidiary have heretofore been confined largely to short-term investments and internal financing within the Group. Plans made towards the end of 1970 to activate that subsidiary as an investment bank should greatly enhance its profitability.

Management and Staff

During the year reviewed, your company has continued to be fortunate in the loyalty and the quality performance of its employees. They have shown a willingness and an ability to adapt themselves to the process of change and development within the company. On behalf of the Board I express to management and employees in Brazil and in Canada, appreciation for constant and constructive achievement.

In September 1970 Mr. William G. Meese, president of The Detroit Edison Company and a director of several engineering and electrical companies, was appointed a director of Brascan Limited, thus continuing your company's long association with The Detroit Edison Company. With his extensive background in electric utility operations, Mr. Meese's appointment is a valuable addition to the Board.

On behalf of the
Board of Directors

J. H. MOORE
President

April 6, 1971

Light S.A.

Antonio Gallotti, President, Light S.A.

The Light sold nearly 18 billion kilowatt hours of electricity, valued at the equivalent of $369 million, in 1970. Sales rose one billion kwh from the previous year, and customers increased by over 200,000, totalling over 3 million at year end. The company expended $77.9 million during the year on expansion and improvement of transmission and distribution facilities to service this growing market.

Light is budgeting for a capital investment of $710 million within the period 1971-76 to meet expected load growth and to improve the quality of service in Light's concession area.

By the end of 1970, 3,055,595 customers were supplied by Light in an area with a population of 16,392,000. While the population had increased by about 50 per cent in the ten-year period since 1960, Light provided electric service to 78 per cent more customers. The 6 per cent increase over 1969 in Light's kwh sales was smaller than the annual increases in 1968 and 1969, a period of exceptional market growth, but followed a pattern comparable with the growth in demand prior to 1968.

Nearly all Light's expansion in recent years has been concentrated in the distribution system. At the end of 1970, total transformer capacity in the distribution network was up 11 per cent from the previous year. This required installation of 7,991 new transformers, 13,100 miles of distribution conductors, and 91,869 poles. The program in Rio for converting frequency from 50 to 60 cycles per second was substantially completed in 1970, one year ahead of the original schedule.

Light and 11 other power companies continued their high degree of cooperation in supporting an inter-connected grid which serves the south-central region of Brazil. This pool makes possible greater operational flexibility and safety, reduces power outages, and helps overcome the impact of adverse weather conditions.

In 1969, the grid supplied large amounts of power to Light, and the company generated substantial thermal power when hydro reservoirs were depleted by drought. In 1970, reservoirs returned to normal; less thermal power was needed; Light drew slightly more power from the grid to supply the increased demand; and Light's hydro plants generated 9.9 billion kwh, compared with 7 billion the previous year.

During the year, approximately 800,000 kw of new generating capacity was added to the pool byGovernment-owned companies. Rainfall and reservoir levels remained satisfactory throughout the year, and the inter-connected system met all demands.

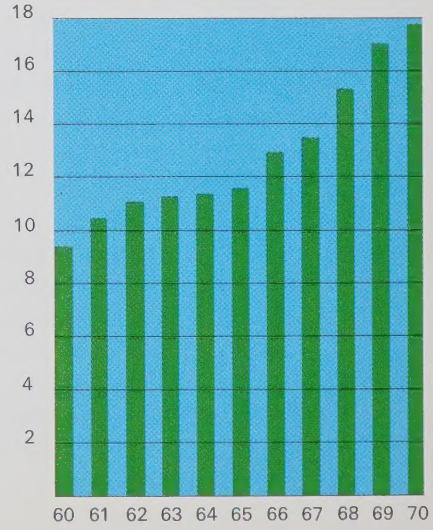
The company's internal reorganization during the year was focussed on the use of modern technology to improve customer service and to reduce unit costs. Training programs were intensified, and priority was given to automation of a number of administrative activities. At the end of 1970 there were 25,216 employees of the Light.

About 150,000 Brazilians are now shareholders of the Light. Shares were first made available to the Brazilian community in 1960. The most recent major offering was in 1969. The shares are now traded on the main Brazilian stock exchanges.

The Government Commission engaged in determining the cruzeiro value of Light's remunerable investment is continuing its work. The Minister of Mines and Energy, on May 19, 1970, approved the valuation of the investment for the Rio region up to December 31, 1964. The Commission is completing its work in São Paulo up to December 31, 1964, and updating Light's total remunerable investment to the end of 1970.

ELECTRIC ENERGY SOLD 1960-1970

BILLIONS OF KILOWATT-HOURS
1 BILLION=1,000 MILLION



Brascan LIMITED
AND SUBSIDIARY COMPANIES

Financial Review 1970

The 1970 consolidated financial statements of the Company and its subsidiaries, with the related Auditors' Report to the shareholders, appear on pages 5 to 12 hereof. They are expressed in United States currency as in the past and all references to dollars in this Review are to United States dollars unless otherwise indicated. All dollar amounts are expressed in thousands.

In view of the growing diversification of the Company the form of the consolidated financial statements has been revised in 1970, and the 1969 figures have been re-arranged to make them comparable. The revisions include the segregation in the balance sheet of assets and liabilities in North America from those in Brazil as well as the segregation in the income statement of electric utility income from investment income in North America and in Brazil. Supplementary statements have also been added to indicate the division between dollars and cruzeiros of the components of net income and of the items appearing in the statement of source and application of funds. Brazilian source income is classified as dollar income in these statements in the year in which it is received as income by Brascan Limited or Brazilian Light Limited from their Brazilian subsidiaries.

TRANSLATION OF CRUZEIROS TO DOLLARS

The procedures followed in 1970 in translating into dollars cruzeiro revenues and expenses as well as assets and liabilities originating in that currency were the same as those applied in prior years, and are described in Note 3 to the financial statements. The earnings rate was Cr$4.59 to the dollar in 1970 compared to Cr$4.096 in 1969. Measured by this rate the cruzeiro fell 10.7% in value in 1970. In the same period the external value of the cruzeiro fell 12.1% from Cr$4.35 to Cr$4.95 to the dollar as a result of nine minor devaluations made at fairly regular intervals throughout the year.

REMITTANCES

The remittable portion of Light dividends payable to the Company is approximately 48% of the total of such dividends, corresponding to the portion of the Company's equity investment in Light which, under current interpretation of the governing legislation, qualifies for registration as foreign investment. This situation is under review in Brazil.

Dividend remittances received from Light in 1970 included the remittable portion of the normal 10% annual dividend paid in May from 1969 profits plus the same portion of an interim 5% dividend paid in September from first half 1970 profits. This was an abnormal situation arising from the initiation by Light of the practice of paying dividends semi-annually, and will not recur.

Telephone sale proceeds returned to Brazil are used to purchase common shares of one of the investment subsidiaries

(Emprêsa Técnica de Organização e Participações S.A., or TOP) through which they are being channelled, and are registered as foreign investment when such shares are issued. All the common shares of TOP issued to date have been registered, and dividends paid on such shares in 1970 were remitted in full. TOP's assets include shares of the companies in which it reinvests the telephone proceeds, along with all the common shares of the investment bank owned by the Group.

The Government-guaranteed notes covering the unpaid balance of the telephone sale price, as well as Light's foreign debt to its parent and to third parties (chiefly the World Bank and USAID) are all fully registered, and principal and interest payments on these debts maturing in 1970 were remitted promptly on their due dates.

Statement of Consolidated Income

Net income increased to $66,506 in 1970, representing an improvement of $6,446 or 10.7% over the $60,060 earned in 1969. After adjustment for the 10% stock dividend declared in December, 1970 and paid in January, 1971, net income per share was $2.86 in 1970 compared with $2.58 in 1969. Net income arose from the following sources:

	1970		1969	
	Amount	**$ per Share**	Amount	$ per Share
Electric utility	**$55,338**	**$2.38**	$42,993	$1.85
Non-utility investments	**12,132**	**0.52**	16,377	0.70
Other	**(964)**	**(0.04)**	690	0.03
Net income	**$66,506**	**$2.86**	$60,060	$2.58

The dollar and cruzeiro components of net income from each of the above sources are shown on the Analysis of Consolidated Income by Currencies. In total, net income was divided by currencies as shown below:

	1970		1969	
	Amount	**$ per Share**	Amount	$ per Share
Dollars	**$30,392**	**$1.31**	$25,685	$1.10
Cruzeiros	**36,114**	**1.55**	34,375	1.48
Net income	**$66,506**	**$2.86**	$60,060	$2.58

The portion of net income realized in or converted into dollars was abnormally high in 1970 for the reason noted on page 1. Under present circumstances such portion will not normally exceed 40% of the total.

ELECTRIC UTILITY INCOME

The service at cost system of rate regulation functioned normally in 1970. Electric rates were revised on June 1 based on estimates of: (1) the billings required to produce operating revenues sufficient to cover cost of service (i.e. allowable operating expenses and taxes, depreciation, reversion, certain exchange costs and allowable remuneration on the estimated year-end rate base) plus the prior year's deficiency of earnings; and (2) kilowatts of demand and kilowatt-hours of consumption to be billed to the various classes of customers throughout the year. The resulting operating revenues were sufficient to cover the actual cost of service for the year in full and to recover all but approximately Cr$1 million of the earnings deficiency of 1969.

Expressed in dollars, 1970 operating revenues of $369,276 were $66,474 higher than in 1969. The improvement covers:

Increase in cost of service (excluding remuneration)			$47,919
Increase in allowable remuneration due to increase in the rate base			9,943
Deficiency of earnings	1969	$4,278	
Net recovery of deficiency	1970	3,583	7,861
Variation on translation into dollars			751
			$66,474

The principal variations in cost of service (excluding remuneration) occurred in purchased power and fuel oil. The $37,671 increase in purchased power costs reflected by the Income Statement is attributable primarily to the increased demand represented by the load growth of the Light system. Improved river flows and water storages in 1970 enabled Light to substitute hydro for steam generation, resulting in the $13,923 reduction in fuel oil costs.

Electric operating income, representing operating revenues less operating expenses and accruals, amounted in 1970 to $73,783, $16,127 more than the $57,656 of 1969. The excess consists of the following items:

Increase in allowable remuneration due to increase in the rate base, as shown above	$ 9,943
Earnings deficiency of 1969 plus amount recovered in 1970, as above	7,861
Increase in expenses not recoverable in rates (net)	(1,677)
Increase in operating income	$16,127

It should be noted that the cruzeiro value of electric plant in service (which comprises some 85% of Light's rate base) remains subject to adjustment when such value is established by the Government Commission appointed for the purpose. The value of the plant in service in the Rio Region at December 31, 1964 was established by the Commission in late 1969 and officially approved and published in 1970. All plant at December 31, 1970 is expected to be valued by the end of the current year.

Net electric utility income, consisting of operating income less interest and the minority shareholders' portion of Light profit, rose by $12,345 in 1970, from $42,993 to $55,338. The income deductions for interest and minority share of profits are detailed on the Income Statement.

Investment Income

Summarized below are further details on the investment income from North American and Brazilian sources reflected in the Income Statement.

North America

	1970	1969
John Labatt Limited dividends	**$1,975**	$1,195
Other dividends	**433**	446
Net loss of Mikas Oil Co. Ltd.	**(23)**	
Total dividends	**2,385**	1,641
Interest on deposit receipts, bonds and debentures	**4,117**	5,402
Total North America	**$6,502**	$7,043

Brazil

	1970	1969
Interest under telephone sale agreement	**$4,399**	$4,567
Interest on short-term investments of electric subsidiary and Brazilian Light Limited	**2,321**	2,788
Investment subsidiaries		
Dividends	**382**	332
Interest and profit on short-term investments	**537**	845
Profit on sale — portfolio transactions	**680**	1,278
Commissions	**1,101**	849
	2,700	3,304
Expenses and income taxes	**1,164**	1,325
	1,536	1,979
Provision for withholding tax on dividends	**626**	
Net income of investment subsidiaries	**910**	1,979
Provision for loss of Fábricas Peixe (not consolidated)	**(2,000)**	
Total Brazil	**$5,630**	$9,334

Through the investment subsidiaries in Brazil the Company's effective interest in Fábricas Peixe is 80%, and the $2,000 provision charged against 1970 consolidated income is slightly in excess of its share of the anticipated 1970 loss.

Consolidated Balance Sheet

Shareholders' equity increased in 1970 by $45,356 from $636,551 ($27.33 per share) to $681,907 ($29.28 per share), and represents the book value of the net assets shown below:

	1970	1969
Investments and other (current) assets in Canada	**$115,425**	$100,181
Notes (excluding notes discounted) guaranteed by the Brazilian Government on sale of telephone utilities	**71,542**	74,592
Net utility assets	**453,479**	422,167
Non-utility investments and other (current) assets in Brazil	**41,461**	39,611
	$681,907	$636,551

Supplementary information on certain of the principal assets and liabilities is set out below.

Net Current Assets

The Statement of Consolidated Current Assets and Liabilities supporting the balance sheet provides details as to the composition of net current assets, and the Statement of Consolidated Source and Application of Funds and the related analysis by currencies shows the components of the $41,540 reduction in working capital which occurred in 1970. Electric capital expenditures, new non-utility investment and dividends account for the larger part of the decrease.

Investments

In 1970 Brascan purchased an additional 835,400 common shares of John Labatt Limited to bring its holdings at the year-end to 2,885,400 common shares (32.2% of the total) and 62,200 preferred shares. Late in the year it also purchased 829,080 ordinary shares of Hudson's Bay Company (approximately 6.1% of the total). These two holdings are carried in the balance sheet as "Shares of Canadian Companies" at their cost of $56,237. The $21,191 of such shares held at the end of 1969 was the cost of the Labatt shares held at that time.

In mid-1970 the Company purchased 15% of the common shares of Elf Oil Exploration and Production Canada Ltd. for a maximum consideration of Can. $40,000, of which Can. $8,000 was paid in July, 1970 with the balance due in four equal annual instalments in January of each of the succeeding years. The second instalment was paid in January, 1971. The Elf investment was made through Mikas Oil Co. Ltd., an Alberta company engaged in oil and gas exploration and pro-

duction which was acquired at the same time as a wholly-owned subsidiary. The Can. $40,000 will be used to help finance Elf Canada's exploration budget, and of the drilling and exploration expenses so financed, Can. $30,000 is to be renounced by Elf Canada in due course in favour of Mikas. The amounts so renounced will then be available to Mikas as deductions from future taxable income. Under certain circumstances set out in the purchase contract, payment of the remaining Can. $24,000 of instalments may be accelerated and for this or other reasons, the full Can. $30,000 may not be renounced in Mikas' favour. If any of these events occur the contract calls for a reduction in the purchase price of the shares.

The accounts of Mikas Oil Co. Ltd. are not consolidated with those of the parent but the foregoing investment is included on an equity basis in the 1970 consolidated balance sheet, where it appears as "Investment in and advances to unconsolidated Canadian subsidiary". The amount of $14,046 represents the following:

Cost of Mikas shares		$ 2,419
Provision for loss — 8 months ended December 31, 1970		23
		2,396
Brascan advances		
First instalment Elf purchase price plus expenses capitalized	$7,808	
Purchase of other oil-producing properties	3,842	11,650
		$14,046

Included on the balance sheet as investments in Brazil are the non-current portion of the Government-guaranteed notes covering the balance of the sale price of the telephone utilities, and long-term investments in other Brazilian companies. Details are shown below:

Government-guaranteed notes	1970	1969
Notes not yet due	**$73,089**	$76,051
Notes discounted	**1,547**	1,459
	71,542	74,592
Notes due in one year (current assets)	**1,593**	1,503
Notes shown as Investments	**$69,949**	$73,089

Shares and debentures at cost	1970	1969
Shares in state power companies	**$ 4,233**	$ 4,233
Fábrica Nacional de Vagões (35%)	**4,367**	2,654
Celanese do Brasil S.A. (45%)	**4,050**	3,150
Eucatex S.A. — Indústria e Comércio (12%)	**1,081**	1,081
Emprêsa Industrial Garcia S.A. (19%)	**1,015**	984
Banco Brascan portfolio of listed securities	**2,589**	1,063
Other equities	**1,551**	1,573
	$18,886	$14,738

The Company's investment in Fábricas Peixe is shown on the balance sheet as "Investment in and advances to unconsolidated subsidiary". The amounts shown consist of:

	1970	1969
Equity investment	**$4,525**	$3,982
Less provisions	**3,415**	1,415
	1,110	2,567
Loans	**2,527**	
	$3,637	$2,567

Fixed Assets

Fixed assets less accumulated depreciation amounted to $709,246 at the end of 1970 compared with $653,405 at the end of 1969. The increase of $55,841 resulted from the transactions listed below:

Capital expenditures on expansion and improvement of electric transmission and distribution facilities		$77,930
Interest on construction capitalized		2,514
		80,444
Less:		
Depreciation provided	$23,747	
Other changes, including net salvage on retirements	856	24,603
Total		$55,841

Total capital expenditures in the preceding four years were:

1969	$75,074	1967	$59,613
1968	$70,209	1966	$43,019

For 1971 the authorized electric capital budget is the equivalent of $110,000 and will be financed from internal sources.

The $26,923 book value of the unrealized balance of gas company assets remained unchanged during 1970, and the indemnities receivable by the Company for its former gas assets are not yet known. Part of the accumulated amortization of $34,389 shown on the balance sheet as a deduction from fixed assets, which was provided in the years prior to 1953, is available to cover any shortfall on this asset, but no such shortfall is anticipated.

Brascan LIMITED
AND SUBSIDIARY COMPANIES

Statement of Consolidated Income
for the years ended December 31
(Expressed in thousands of United States dollars)

	1970	1969
ELECTRIC UTILITY INCOME		
Operating revenues (Note 1)	$369,276	$302,802
Operating revenue deductions:		
Purchased power	129,012	91,341
Fuel oil	2,889	16,812
Salaries, wages and other operating expenses	85,855	73,241
Depreciation (Note 1)	23,747	22,212
Reversion (Note 1)	27,220	19,635
Income and withholding taxes (Note 2)	26,770	21,905
	295,493	245,146
Operating income	73,783	57,656
Income deductions:		
Interest on long-term debt	3,849	4,065
Interest charged to construction — credit	(2,514)	(2,529)
Reversion interest (Note 1)	5,557	3,947
Equity of minority shareholders	11,553	9,180
	18,445	14,663
Net electric utility income	55,338	42,993
INVESTMENT INCOME		
North America		
Dividends	2,385	1,641
Interest income	4,117	5,402
	6,502	7,043
Brazil		
Interest under telephone sale agreement	4,399	4,567
Income on short-term investments	2,321	2,788
Net income of investment subsidiaries after deducting income and withholding taxes (1970 — $1,082; 1969 — $896)	910	1,979
Provision for loss of unconsolidated subsidiary (Note 4)	(2,000)	
	5,630	9,334
Net investment income	12,132	16,377
OTHER CREDITS LESS (CHARGES)		
Foreign exchange adjustments (Note 3)	937	2,730
General corporate expenses	(1,953)	(1,815)
Miscellaneous (net)	52	(225)
	(964)	690
NET INCOME FOR YEAR	$ 66,506	$ 60,060
NET INCOME PER ORDINARY SHARE*	$ 2.86	$ 2.58

** Adjusted for stock dividend paid January 29, 1971*

(see accompanying notes)

Brascan LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

(Expressed in thousands of United States dollars)

Assets

	December 31 1970	1969
CURRENT ASSETS (per statement attached)		
North America	**$ 44,036**	$ 79,790
Brazil (Note 9)	**103,481**	101,424
	147,517	181,214
INVESTMENTS		
North America		
Shares of Canadian companies at cost (Quoted market value 1970 — $77,472; 1969 — $58,620)	**56,237**	21,191
Investment in and advances to unconsolidated Canadian subsidiary (Note 4)	**14,046**	
Other investments at cost	**6,990**	2,318
	77,273	23,509
Brazil		
Government-guaranteed notes (Note 5)	**69,949**	73,089
Shares and debentures at cost	**18,886**	14,738
Investment in and advances to unconsolidated subsidiary (Note 4)	**3,637**	2,567
	92,472	90,394
OTHER ASSETS		
North America		
Securities and cash on deposit with trustee under trust indentures	**5,358**	5,624
Sundry assets	**157**	284
	5,515	5,908
Brazil		
Materials and supplies at average cost	**27,507**	23,266
Sundry assets including long-term receivables	**8,848**	8,966
	36,355	32,232
FIXED ASSETS — BRAZIL		
Utility plant in service	**992,611**	920,083
Construction work in progress	**34,119**	38,528
Other physical property	**3,270**	3,537
Total property, plant and equipment at cost	**1,030,000**	962,148
Less accumulated depreciation (Note 1)	**320,754**	308,743
	709,246	653,405
Unrealized balance of gas company assets (Note 6)	**26,923**	26,923
	736,169	680,328
Less accumulated amortization (Note 7)	**34,389**	34,389
	701,780	645,939
	$1,060,912	$979,196

(see accompanying notes)

Consolidated Balance Sheet

(Expressed in thousands of United States dollars)

Liabilities

		December 31	
		1970	1969
CURRENT LIABILITIES (per statement attached)			
North America		**$ 11,399**	$ 9,026
Brazil		**82,726**	77,256
		94,125	86,282
OTHER LIABILITIES — BRAZIL			
Long-term debt (per statement attached)		**56,798**	66,922
Accumulated reversion (Note 1)		**127,849**	95,072
Contributions in aid of construction		**33,669**	31,443
Minority interest in electric subsidiary		**66,564**	62,926
		284,880	256,363
SHAREHOLDERS' EQUITY			
Capital (Note 8)			
Authorized —			
1,213	6% cumulative convertible preference shares of a par value of Can. $100.00 each (1969 — 1,338 shares)		
5,000,000	second preferred shares of a par value of Can. $20.00 each		
30,000,000	ordinary shares of no par value		
Issued and outstanding —			
1,213	6% preference shares (1969 — 1,338)	**121**	134
23,285,832*	ordinary shares (1969 — 21,170,474)	**192,987**	190,860
*Including 2,114,524 shares issued January 29, 1971 as a stock dividend			
		193,108	190,994
Retained earnings		**488,799**	445,557
		681,907	636,551
		$1,060,912	$979,196

On behalf of the Board:

J. H. Moore
N. J. McKinnon
} Directors

(see accompanying notes)

Brascan LIMITED

AND SUBSIDIARY COMPANIES

Statement of Consolidated Current Assets and Liabilities

(Expressed in thousands of United States dollars)

	December 31	
	1970	1969
NORTH AMERICA		
Current Assets		
Cash	**$ 8,422**	$ 3,064
Deposit receipts	**19,400**	58,516
Marketable investments at cost (Quoted market value 1970 — $15,013; 1969 — $16,437)	**14,361**	15,730
Accounts receivable	**1,853**	2,480
	44,036	79,790
Current Liabilities		
Accounts payable and accrued charges	**4,695**	2,415
Dividends payable	**6,704**	6,611
	11,399	9,026
Net current assets	**32,637**	70,764
BRAZIL (Note 9)		
Current Assets		
Cash	**19,227**	13,413
Treasury bills and other short-term investments	**49,252**	53,202
Government-guaranteed notes due within one year	**1,593**	1,503
Accounts receivable	**33,409**	33,306
	103,481	101,424
Current Liabilities		
Accounts payable and accrued charges	**41,159**	38,661
Income and other taxes payable	**29,599**	27,118
Long-term debt payable within one year	**10,568**	10,175
Interest and dividends due and accrued	**1,400**	1,302
	82,726	77,256
Net current assets	**20,755**	24,168
TOTAL NET CURRENT ASSETS	**$ 53,392**	$ 94,932

(see accompanying notes)

Brascan LIMITED
AND SUBSIDIARY COMPANIES

Statement of Consolidated Source and Application of Funds
for the years ended December 31

(Expressed in thousands of United States dollars)

	1970	1969
FUNDS PROVIDED		
Funds provided from operations:		
Net income for year	**$ 66,506**	$ 60,060
Add (Deduct):		
Depreciation	**23,747**	22,212
Reversion	**27,220**	19,635
Interest charged to construction — credit	**(2,514)**	(2,529)
Reversion interest	**5,557**	3,947
Equity of minority shareholders	**11,553**	9,180
	132,069	112,505
Current portion of sale price of telephone utilities	**3,140**	2,962
Customers' contributions in aid of construction	**2,226**	2,710
Long-term borrowings	**866**	6,351
Share capital issued		379
Increase in holdings of minority shareholders in electric subsidiary's capital	**757**	11,628
Miscellaneous changes in various assets and liabilities	**1,367**	(2,788)
Decrease in working capital	**41,540**	
	181,965	133,747
FUNDS USED		
Capital expenditures — electric utility	**77,930**	75,074
Reduction in long-term debt	**10,990**	10,382
Increase in non-utility investments	**58,982**	3,394
Increase in materials and supplies — electric utility	**4,241**	5,377
Subsidiary dividends paid to minority shareholders	**8,672**	3,685
Dividends — preference	**7**	10
— ordinary	**21,143**	24,644
Increase in working capital		11,181
	$181,965	$133,747

(see accompanying notes)

Statement of Consolidated Retained Earnings

for the years ended December 31

(Expressed in thousands of United States dollars)

	1970	1969
BALANCE AT BEGINNING OF YEAR	**$445,557**	$413,675
NET INCOME FOR YEAR	**66,506**	60,060
	512,063	473,735
DEDUCT DIVIDENDS		
Cash		
Preference shares (Can. $6.00 per share)	**7**	10
Ordinary shares (U.S. $1.00 per share)	**21,143**	
(U.S. $1.25 per share)		24,644
Stock (Note 8)		
Ordinary shares (U.S. $0.10 per share)	**2,114**	
(U.S. $0.20 per share)		3,524
	23,264	28,178
BALANCE AT END OF YEAR	**$ 488,799**	$445,557

Statement of Consolidated Long-Term Debt

(Expressed in thousands of United States dollars)

	December 31	
	1970	1969
Amounts due to International Bank for Reconstruction and Development* —		
$4^1/_4$%, $4^1/_2$%, $4^7/_8$% and 6% loans, due semi-annually 1971 to 1978 inclusive, payable in U.S. funds	**$20,202**	$25,915
$4^1/_4$%, $4^1/_2$% and 6% loans, due semi-annually 1971 to 1978 inclusive, payable in Canadian funds	**9,097**	10,615
$4^1/_2$% and 6% loans, due semi-annually 1971 to 1978 inclusive, payable in sterling and French francs	**1,299**	1,518
	30,598	38,048

*The amounts due to International Bank for Reconstruction and Development (secured by floating charge) are evidenced by obligations of Light — Serviços de Eletricidade S.A. under an Obligors Agreement dated June 9, 1965; by various Loan Agreements; and by the following Collateral Trust Bonds of Brascan Limited —

	U.S. Equivalent
Series A — payable in U.S. funds	$20,202
Series B — payable in Canadian funds	9,097
Series C — payable in sterling and French francs	1,299

	1970	1969
Light — Serviços de Eletricidade S.A.:		
United States of America Alliance for Progress $5^1/_2$% loan (secured by floating charge), payable in U.S. funds in equal semi-annual instalments from January 28, 1971 to July 28, 1984 or, at the lender's option, in equivalent cruzeiros on those dates	**36,125**	38,574
Supplier financing, due semi-annually in 1971 and 1972, payable in Canadian and U.S. funds	**643**	475
	67,366	77,097
Less amount payable within one year included under current liabilities	**10,568**	10,175
	$56,798	$66,922

Maturities and sinking fund requirements during the next five years are as follows:

1971	$10,568		
1972	$10,761	1974	$4,786
1973	$10,895	1975	$4,534

(see accompanying notes)

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

1. ELECTRIC UTILITY

(a) "Service at cost"

Under regulations enacted in November 1964 under the Water Code the Company's electric subsidiary has operated, since January 1, 1965, under a system of service at cost. This system involves setting customers' rates for electricity at a level which will produce operating revenues sufficient to cover (i) operating expenses of the service including corporate profits taxes paid, (ii) provisions for depreciation and reversion, (iii) allowable remuneration at 10% on the rate base, and (iv) adjustment for prior years' deficiencies and surpluses. The main components of the rate base are plant in service (at depreciated net book value in cruzeiros monetarily corrected to offset the decline in the internal value of the currency) and working capital.

In any year, billings in excess of allowable levels are excluded from income as they are only available for establishing rates in future years; any deficiencies in earnings are only recoverable from future rates and are taken into income when received.

Billings in 1970 were sufficient to cover the cost of service and, in addition, to recover $3,583 being the major portion of the deficiency of earnings in 1969.

The determination of the rate base has not yet been completed by the regulatory authority and electric income from January 1, 1965 may be subject to adjustment through future rates to reflect the final determination.

(b) Depreciation and reversion

In 1970, as in 1969, depreciation and reversion were provided at the rates prescribed by the regulatory authority (each being approximately 3% of depreciable or revertible plant).

The regulations require that the reversion monies generated by the rates be deposited in a special bank account and used either in partial settlement of the indemnity upon reversion of the properties to the conceding authority or expended in approved expansion programs. With the permission of the regulatory authority the Company has withdrawn substantially all of the reversion monies to date and invested them in plant expansion.

(c) Reversion interest

Interest at 6% per annum on reversion monies invested in plant must also be credited to accumulated reversion and deposited in the special reversion bank account subject to the same provisions for withdrawal for plant expansion. The charge of $5,557 (1969 — $3,947) in the statement of consolidated income represents the interest for the year 1970.

2. WITHHOLDING TAXES

Interest and dividend payments from subsidiaries in Brazil are subject to Brazilian withholding taxes. Full provision is made for withholding taxes on interest paid or accrued, and on subsidiaries' earnings to the extent that distribution of such earnings by way of cash dividends is anticipated in the following year.

3. TRANSLATION OF FOREIGN CURRENCIES

The Company's financial statements are expressed in United States currency. Assets, liabilities, revenues and expenses in currencies other than United States dollars are translated into United States funds as follows:

(a) Current assets and current liabilities at the rates of exchange prevailing at December 31, except treasury bills and short-term investments subject to monetary correction in Brazil, which are at the rates of exchange prevailing when they were acquired.

(b) Other assets and liabilities at the rates of exchange prevailing when they were acquired or incurred.

(c) Revenues and expenses at average official free market exchange rates for the year (or rates closely approximating these) except for depreciation provisions, which are at the same rates as those used for the translation of the related assets.

4. INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES

The consolidated financial statements include the accounts of the Company and all subsidiaries except one Canadian subsidiary (Mikas Oil Co. Ltd.) engaged in oil exploration and production and one Brazilian subsidiary (Fábricas Peixe) engaged in the food processing industry. As indicated in the table below, neither of these investments is significant in relation to the Company's total assets.

The Company's investment in these subsidiaries is carried on the equity accounting basis and accordingly full provision has been made in the statement of consolidated income and in the carrying value of the investments for the Company's proportion of their losses for the year 1970.

The investment in, advances to, and loss provisions for these subsidiaries at December 31, 1970 were as follows:

	Mikas Oil Co. Ltd.	Fábricas Peixe
Investment	$ 2,396	$1,110
Advances	11,650	2,527
	$14,046	$3,637
Company's proportion of loss for 1970	$ 23	$2,000

The Company, through Mikas Oil Co. Ltd., has agreed to acquire a 15% equity interest in Elf Oil Exploration and Production Canada Ltd. for Can. $40,000 payable over a maximum period of five years to January 1974 (of which Can. $8,000 has been paid to December 31, 1970).

5. GOVERNMENT-GUARANTEED NOTES

This amount, together with interest at 6%, is receivable in equal quarterly instalments from April 1, 1972 to January 1, 1986 with respect to the sale of the Company's telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government. The Company is obligated to reinvest 75% of this amount in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

6. UNREALIZED BALANCE OF GAS COMPANY ASSETS

This represents the book value of the unrealized balance of the assets of the São Paulo gas service expropriated in 1967 and the net book value of the gas plant in Rio de Janeiro which was transferred to the State of Guanabara in 1969.

The indemnities receivable for these assets have not yet been determined, but no material loss on final settlement is anticipated.

7. ACCUMULATED AMORTIZATION

This provision, accumulated prior to 1953, may be required to cover part of the undepreciated cost of certain utility properties upon their reversion or other transfer to conceding authorities.

8. CAPITAL

Ordinary share capital of the Company increased by 2,114,524 shares as a result of a 10% stock dividend on its ordinary shares declared December 31, 1970 and paid on January 29, 1971, and by 834 ordinary shares upon the conversion of 125 preference shares. Retained earnings of $2,114, representing $1.00 per new share issued, were capitalized with respect to the stock dividend.

9. EXCHANGE REGULATIONS

Remittances from Brazil are subject to the exchange regulations of that country.

10. COMPARATIVE FIGURES

The form of the consolidated financial statements has been revised in 1970 and the 1969 figures have been reclassified to conform with the 1970 presentation.

11. REMUNERATION OF DIRECTORS AND OFFICERS

During 1970 aggregate remuneration paid to the Company's directors as directors and to the Company's officers as officers was as follows:

	Directors		Officers		Number of Officers who were
	Number	Amount	Number	Amount	also Directors
Paid by the Company	27	$80	10	$323	6
Paid by one subsidiary			7	$366	4
Paid by another subsidiary			1	$ 75	1

Auditors' Report

To the Shareholders
of Brascan Limited

We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities and long-term debt of Brascan Limited and subsidiary companies as at December 31, 1970, and the statements of consolidated income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada
April 5, 1971

Brascan LIMITED
AND SUBSIDIARY COMPANIES

Analysis of Consolidated Income by Currencies
for the years ended December 31

(Expressed in thousands of United States dollars)

	1970	1969
DOLLAR COMPONENTS		
Net electric utility income	$20,664	$15,722
Investment income		
North America	6,502	7,043
Brazil		
Interest under telephone sale agreement	4,399	4,567
Net income of investment subsidiaries	806	
Other charges less credits	(1,979)	(1,647)
	30,392	25,685
CRUZEIRO COMPONENTS		
Net electric utility income	34,674	27,271
Investment income — Brazil		
On short-term investments	2,321	2,788
Net income of investment subsidiaries	104	1,979
Provision for loss of unconsolidated subsidiary	(2,000)	
Other credits less charges	1,015	2,337
	36,114	34,375
NET INCOME PER STATEMENT OF CONSOLIDATED INCOME	$66,506	$60,060
NET INCOME PER ORDINARY SHARE*		
Dollar components	$1.31	$1.10
Cruzeiro components	1.55	1.48
	$2.86	$2.58

*Adjusted for stock dividend paid January 29, 1971

Brascan LIMITED

AND SUBSIDIARY COMPANIES

Analysis of Statement of Consolidated Source and Application of Funds by Currencies for the years ended December 31

(Expressed in thousands of United States dollars)

	1970	1969
DOLLAR COMPONENTS		
FUNDS PROVIDED		
From operations — net income for year	$ 30,392	$ 25,685
Current portion of sale price of telephone utilities, less amount reinvested in Brazil	1,092	2,292
Repayment of electric subsidiary debt to parent	5,000	5,000
Share capital issued		379
Miscellaneous changes in various assets and liabilities	303	298
Decrease in working capital	38,127	
	74,914	33,654
FUNDS USED		
Increase in non-utility investments	53,764	8
Dividends — preference	7	10
— ordinary	21,143	24,644
Increase in working capital		8,992
	74,914	33,654
CRUZEIRO COMPONENTS		
FUNDS PROVIDED		
From operations:		
Net income for year	36,114	34,375
Add (Deduct):		
Depreciation	23,747	22,212
Reversion	27,220	19,635
Interest charged to construction — credit	(2,514)	(2,529)
Reversion interest	5,557	3,947
Equity of minority shareholders	11,553	9,180
	101,677	86,820
Telephone sale proceeds transferred to Brazil for reinvestment	2,048	670
Customers' contributions in aid of construction	2,226	2,710
Long-term borrowings	866	6,351
Increase in holdings of minority shareholders in electric subsidiary's capital	757	11,628
Miscellaneous changes in various assets and liabilities	1,064	(3,086)
Decrease in working capital	3,413	
	112,051	105,093
FUNDS USED		
Capital expenditures — electric utility	77,930	75,074
Reduction in long-term debt	15,990	15,382
Increase in non-utility investments	5,218	3,386
Increase in materials and supplies — electric utility	4,241	5,377
Subsidiary dividends paid to minority shareholders	8,672	3,685
Increase in working capital		2,189
	$112,051	$105,093

Comparative Statement of Consolidated Income
for the years ended December 31

(Expressed in thousands of United States dollars)

ELECTRIC UTILITY INCOME

	1970	1969	1968	1967	1966	1965
Operating revenues	**$369,276**	$302,802	$257,612	$249,531	$218,942	$165,075
Operating revenue deductions:						
Purchased power	**129,012**	91,341	61,516	53,768	47,249	33,295
Fuel oil	**2,889**	16,812	14,254	9,800	11,453	10,449
Salaries, wages and other operating expenses	**85,855**	73,241	65,378	65,623	52,843	39,472
Depreciation	**23,747**	22,212	20,564	19,271	31,202	25,944
Reversion	**27,220**	19,635	17,853	18,128	15,978	13,896
Income and withholding taxes	**26,770**	21,905	21,743	22,779	18,932	11,938
	295,493	245,146	201,308	189,369	177,657	134,994
Operating income	**73,783**	57,656	56,304	60,162	41,285	30,081
Income deductions	**18,445**	14,663	12,955	11,856	8,453	6,321
Net electric utility income	**55,338**	42,993	43,349	48,306	32,832	23,760
INVESTMENT INCOME						
North America	**6,502**	7,043	5,854	4,195	3,079	1,471
Brazil	**5,630**	9,334	7,990	6,776	7,456	1,141
	12,132	16,377	13,844	10,971	10,535	2,612
OTHER CREDITS LESS (CHARGES)	**(964)**	690	(1,640)	(7,706)	(4,103)	(6,892)
NET INCOME BEFORE EXTRAORDINARY ITEMS	**66,506**	60,060	55,553	51,571	39,264	19,480
Extraordinary items — Credit (Debit)			3,632		(2,885)	
NET INCOME FOR YEAR	**$ 66,506**	$ 60,060	$ 59,185	$ 51,571	$ 36,379	$ 19,480

(In accordance with current accounting practice the $18,815 loss on sale of the telephone utilities charged to retained earnings in 1965 would be classified as an extraordinary item)

OPERATING STATISTICS OF LIGHT — SERVIÇOS DE ELETRICIDADE S.A.

	1970	1969	1968	1967	1966	1965
Kilowatt hours sold (millions)						
Residential	**4,162**	3,882	3,504	3,145	2,862	2,642
Commercial	**3,037**	2,827	2,554	2,266	2,149	2,032
Industrial	**8,585**	8,090	7,209	6,262	6,131	5,313
Public utilities and others	**2,135**	2,081	2,062	1,972	1,655	1,654
Total	**17,919**	16,880	15,329	13,645	12,797	11,641
Customers	**3,055,595**	2,846,602	2,662,376	2,535,389	2,403,078	2,285,025
Employees	**25,216**	24,549	23,449	22,949	21,562	19,319
Capacity of generating plants (kw)	**2,119,000**	2,121,357	2,121,357	2,147,813	2,146,823	2,146,823
Transmission lines (miles of circuit)	**2,818**	2,779	2,668	2,650	2,534	2,504
Distribution network						
Lines (miles of wire)	**145,500**	132,350	121,406	113,178	110,184	105,021
Transformer capacity (kva thousands)	**4,119**	3,564	3,190	2,846	2,504	2,285

The Brazilian Economy

Principal Exports	Value Expressed in Millions of Dollars						
	1965	1966	1967	1968	1969	1970	Percentage increase '65-'70
Coffee Beans	707	764	705	774	813	912	29
Soluble				23	33	42	
Manufactured Goods	110	104	157	201	288	455	314
Cotton	96	111	91	131	196	154	60
Iron Ore	103	100	100	107	147	210	104
Sugar	57	80	79	102	115	127	123
Cocoa Beans	28	51	59	46	105	78	179
Pinewood	52	56	48	65	72	68	31
Total All Exports	1,595	1,741	1,654	1,890	2,311	2,711	70

(Based on figures supplied by Bank of Brazil)

The Brazilian economy continued its growth pattern during 1970. The generally excellent results included greatly increased production, a further advance in the favourable foreign trade position, improved control of inflationary factors, a rise in per capita income, and a healthy exchange reserve position.

The Gross Domestic Product rose 9.5 per cent, compared with gains of 9 per cent and 8.4 per cent in the two previous years.

Imports and exports rose to record levels, resulting in a favourable trade balance of $236 million, compared to $54 million in 1969. The balance of payments position at year end indicated a highly satisfactory surplus of $576 million.

The Government's anti-inflationary policies in 1970 resulted in a considerable improvement in control of inflation in a manner compatible with continued economic growth and development. The cost of living index rose 20.9 per cent, compared with the annual increase of 24 per cent in the three previous years. In May 1970 the minimum wage was raised to compensate for the increased cost of living.

According to 1970 census information, per capita income rose 6.8 per cent. If this rate of increase continues, per capita income will double by 1980.

Looking at production gains in detail, the automobile industry produced 413,152 vehicles, up 19 per cent, and sales were sufficient to avoid inventory problems. Total industrial production rose 11.1 per cent. To further accelerate industrial development, the Government announced a $3 billion 10-year program to expand national steel production.

Excluding coffee, agricultural production rose 10.2 per cent. The 1969 frost caused a decline in 1970 coffee production. As a result the gain in total agricultural production was only 5.6 per cent.

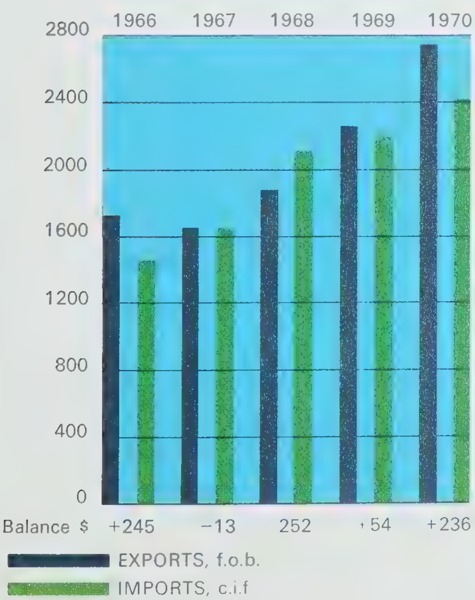
Partly due to the general increase in other exports, the economy was notably less dependent on exports of a single crop. Coffee accounted for 44.3 per cent of Brazil's total exports in 1965. By 1970 this figure, including soluble coffee, was reduced to 35.2 per cent. Iron ore exports more than doubled during the same period and manufactured goods increased from 6.8 to 16.8 per cent of total exports.

International reserve figures clearly show a recovery of the nation's credit. Latest official figures, for October 1970, show the value of reserves at $1.1 billion. The flexible exchange policy continued, and the external value of the cruzeiro fell by 12.1 per cent, compared with 11.9 per cent during 1969.

The Brazilian stock market's vigorous growth during the year reflected the general strength of the economy. The index of share prices on the Rio exchange doubled during 1970; trading volume was up 74 per cent; and value of transactions rose 54 per cent in real terms.

FOREIGN TRADE 1966-1970

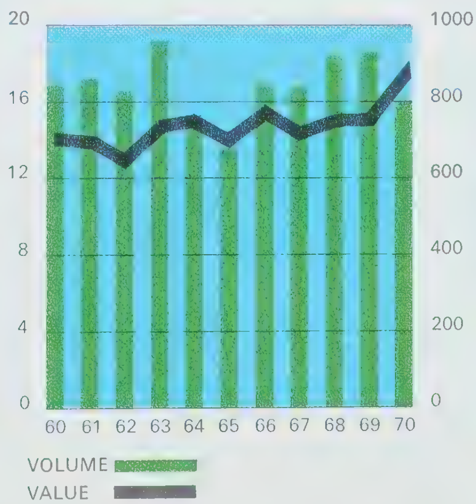
VALUE EXPRESSED IN MILLIONS OF DOLLARS



(Based on figures supplied by Brazilian Ministry of Finance)

COFFEE EXPORTS 1960-1970

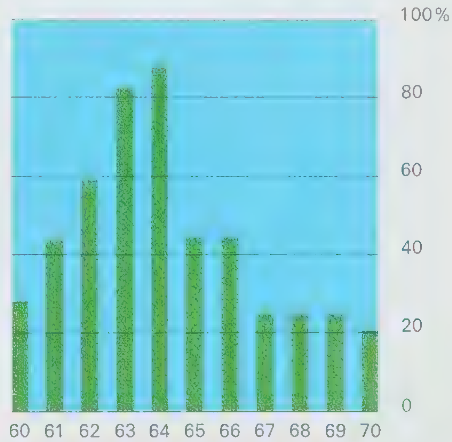
VOLUME IN MILLIONS OF BAGS — VALUE IN MILLIONS OF DOLLARS



(Based on figures supplied by Brazilian Ministry of Finance)

COST OF LIVING 1960-1970

ANNUAL PERCENTAGE INCREASE
RIO DE JANEIRO/SÃO PAULO AVERAGES



(Based on figures from Conjuntura Econômica)

The Light in Action

The south-central region of Brazil which the Light has served since early in the century, has evolved from a predominantly agricultural region into the greatest industrial area in South America. It is also the economic and cultural core of Brazil, and includes Rio de Janeiro, and São Paulo — the fastest growing city in the world. It embraces only 0.4 per cent of the country's territory, but its 17 million population represents 18 per cent of the 92 million people who live in Brazil.

In this area, Light supplied nearly 18 billion kilowatt hours in 1970 to more than 40,000 industries, 400,000 commercial customers and 2.6 million residential consumers. Both in total number of customers and in power sales, Light continued the pattern of growth established during the sixties.

Light's installations include three large generating stations in the São Paulo region, with a capacity of more than 1.3 million kilowatts, and four serving the Rio region, with a capacity of about 750,000 kilowatts. The Light's total generating capacity of 2.1 million kilowatts is interconnected with 11 other power companies, and represents 28 per cent of the pooled electric generating capacity of the south-central region.

Light's installations also include 2,818 miles of transmission lines, an expanding number of sub-stations, and 145,000 miles of distribution lines — enough to circle the earth six times. Operational and maintenance crews are permanently in action along these facilities to ensure the quality and continuity of service.

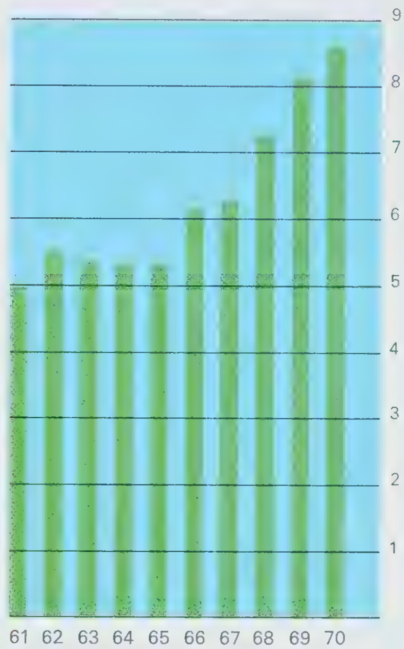
Top: *The Henry Borden hydro-electric plant near São Paulo has a capacity of 864,000 kilowatts.*

Bottom left: *A transmission tower with a view of Rio de Janeiro in the background.*

Bottom right: *A switching station on the Light distribution network.*

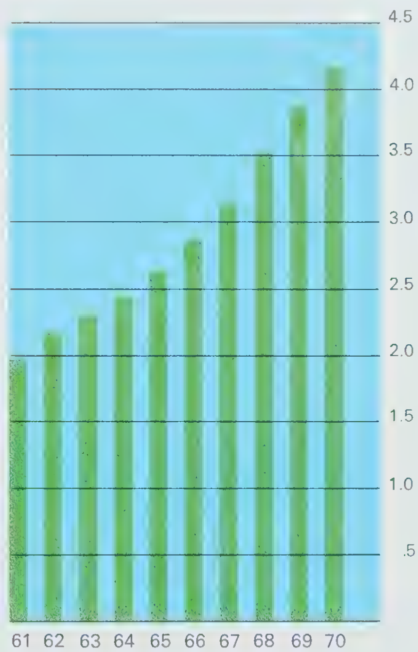
INCREASE IN INDUSTRIAL SALES

KILOWATT-HOURS (BILLIONS BILLED)



INCREASE IN RESIDENTIAL SALES

KILOWATT-HOURS (BILLIONS BILLED)



Top: *A petrochemical plant under construction in São Paulo will need 84 million kilowatt hours per year.*
Bottom: *The Government's National Housing Bank financed 126,000 family units in 1970. These new units are in Rio.*

Canadian Investments

John Labatt Limited, in which Brascan holds 32.2 per cent of the outstanding common shares, is a major Canadian company in the beverage, food and food service fields. Earnings during the latest nine-month period ended January 31, 1971, were Can. $1.13 per common share, the same as one year ago.

Total Labatt gross sales from all sources for the nine-month period amounted to $324,176,000 or $29,977,000 more than for the same period a year ago.

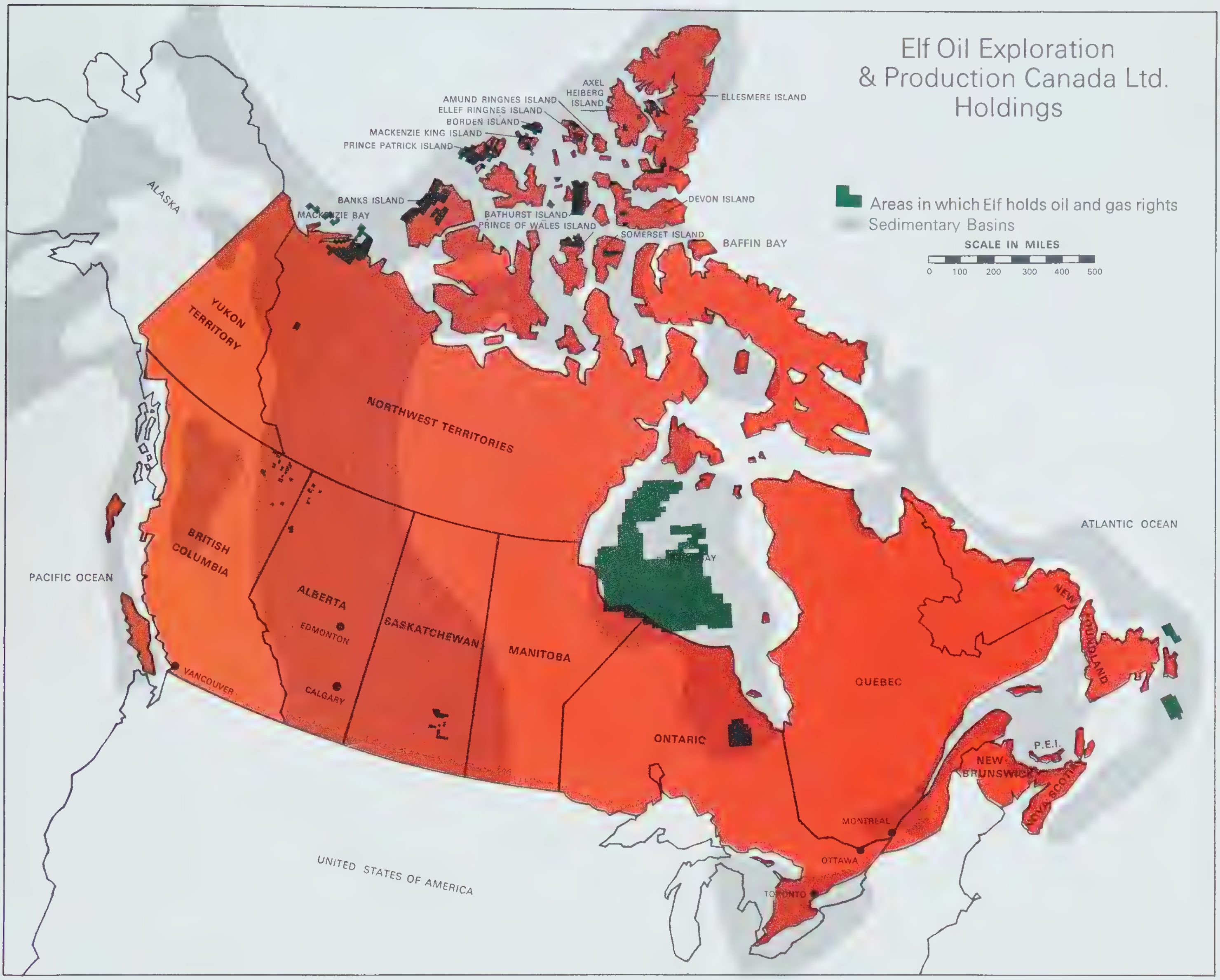
The Labatt group of companies produces a wide variety of products. These range from beer, wine, flour, wheat starches and derivatives, confectionery, organic chemicals and formula feeds to macaroni, spaghetti, soups, jams, pickles and milk products. The group also operates food service companies in Canada and the United States.

Labatt's Canadian beer sales volume during the most recent nine-month period increased 7.7 per cent over the same period the previous year, while industry volume rose 5.4 per cent. Total sales in the Industrial Products and Consumer Food Products groups increased 10.3 per cent over the comparable nine months in 1969-70, mainly as a result of acquisition.

In the spring of 1970 Labatt's new Metropolitan Toronto brewery came into production. Extensive replacement and expansion programs are underway at several other Labatt plants. Capital expenditures during the most recent nine-month period amounted to $13,399,000.

The company has announced that it is participating in the National Brewing Company Limited, of Trinidad, which is constructing a new 50,000 barrel brewery, planned for completion in mid-1972, to service Trinidad, Tobago and other parts of the CARIFTA market.

Top: *Labatt's new Metropolitan Toronto brewery.*
Bottom: *Some of the Labatt group's beverages and food products.*



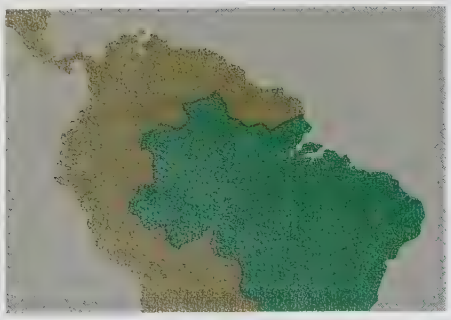
Elf Oil Exploration and Production Canada Ltd., in which Brascan has a 15 per cent interest, is actively engaged in oil and gas exploration in Canada's frontier sedimentary basins. The other shareholders of Elf Canada are its parent company Elf/ERAP, wholly-owned by the Government of France, and Canadian Industrial Gas and Oil Limited, which hold 75 per cent and 10 per cent respectively. Elf/ERAP is a fully-integrated petroleum enterprise which is also engaged in the search for oil and gas on a worldwide basis.

Elf Canada's holdings of oil and gas rights, accumulated over the past decade, total some 22.5 million net acres in 89 million gross acres located in the prime frontier areas of the Arctic islands, the offshore East Coast, the Mackenzie Delta and the Beaufort Sea, as well as in Hudson Bay and the western provinces. Its budgeted exploration expenditures through 1974 total Can. $65 million. Two wells drilled by Elf in the Arctic in 1970 and early 1971, both on Mackenzie King Island, have been abandoned. The drilling of a third Arctic well has recently started on Prince Patrick Island.

Brascan's investment in Elf Canada is held through its wholly-owned subsidiary, Mikas Oil Co. Ltd. Mikas' other assets include some 8.5 million barrels of recoverable oil reserves, chiefly in Alberta, with related wells and equipment, and approximately 2.5 million net acres of exploratory acreage. Most of this exploratory acreage is in the Arctic and is held through Magnorth Petroleum Ltd., in which Mikas has a 12.5 per cent interest. Mikas' 1971 oil production is estimated at 310,000 barrels, which will produce a cash flow from operations of about $320,000.

In 1970 Brascan acquired a 6.1 per cent interest in **Hudson's Bay Company.** Chartered in England over 300 years ago to carry on the fur trade, that Company recently changed its domicile to Canada. Its major activity is retailing and it ranks third in Canada in this field with sales (in 1969) of Can. $387 million. In addition, Hudson's Bay does a large wholesale business in Canada, plays an important part in world fur trade and earns royalty income from oil and gas rights on 4.5 million acres of land owned in Western Canada. It also has a 21.9 per cent interest in Hudson's Bay Oil & Gas Company Limited, Canada's largest non-integrated oil and gas exploration company.

Other Brazilian Investments



Brascan's non-utility investment program in Brazil is handled by an investment group consisting of two holding companies — OEG and TOP, and Banco Brascan, a wholly-owned subsidiary of TOP. The program was generally profitable during 1970 and was expanded slightly.

Banco Brascan is broadening its activity in the rapidly expanding Brazilian capital market. The Bank now invests excess funds of the group in the short-term market, manages an investment portfolio of marketable securities, makes medium-term loans, and participates in underwriting. Plans have been laid to extend the company's investment banking activity in the medium-term capital market.

Fábricas Peixe, Brazil's second largest food processor, is receiving increased management support, and technical assistance in such areas as quality control, product development and agriculture. While the problems of the company are now well defined, a three-to-five year development period is needed to realize the full profit potential in Brazil's expanding market for packaged foods.

Peixe operates farms in the north-east region of Brazil and has one of its large plants there, making an important contribution to the economy of the area. Brascan's equity in Peixe was increased to 80 per cent in 1970.

Celanese do Brasil faced difficult market conditions at the beginning of 1970, but made a good recovery and was able to report a small profit in this, its second year of operations.

Fábrica Nacional de Vagões — Brascan's voting interest in FNV increased to 29 per cent, reflecting confidence in the outlook for the railroad and automotive parts markets.

Top: *FNV railroad cars carry iron ore to coast for export.*

Bottom: *Tomatoes grown on Peixe farms provide the company's chief products.*

Paulo Almeida — he works for the Light

Paulo Almeida was a semi-skilled worker when he started with the Light ten years ago. Today, at 35, he is the foreman of a Light maintenance crew and the proud owner of a comfortable three-bedroom house in Madureira, a suburb of northern Rio de Janeiro. Paulo is one of 7,500 employees of Light's distribution department. This large department provides jobs for nearly one-third of the company's 25,000 employees in Rio and São Paulo.

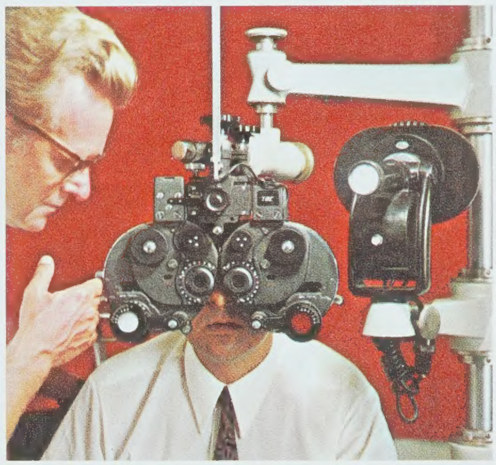
Six years ago, Paulo's income reached the level qualifying for Brazil's house purchase financing scheme. He bought his home with a 15-year mortgage from the Brazilian Government's National Housing Bank, and found a ready welcome in the Madureira neighborhood, which includes specialized workers, commercial employees and minor officials.

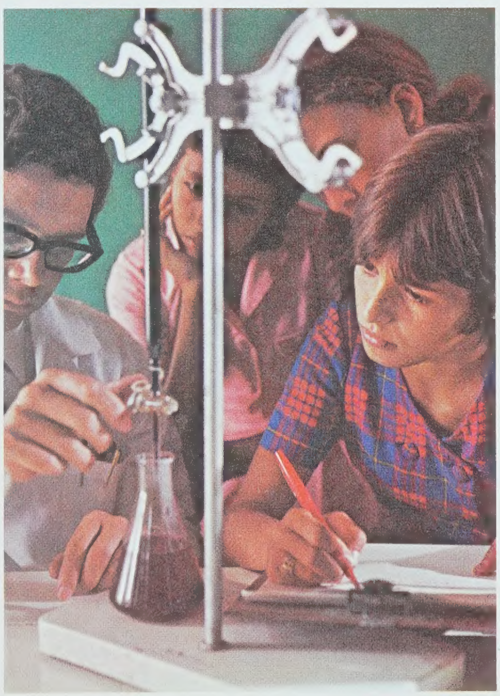
As a family man, Paulo feels that an important advantage of working for the Light is the company's Medical Service, which provides employees and their families with all the resources of modern medicine including fully staffed clinics.

Paulo's wife, Ermelinda, spends most of her time homemaking and bringing up their two young children, Teresa and Carlos. Paulo spends his leisure time at home, tending the garden and watching TV.

According to her parents, Teresa, 13, is the brains of the family. She is in secondary school and has been highly praised by her professors at Guanabara State College for her progress in mathematics, physics and chemistry.

Carlos, 10, is centre-forward of the junior football team sponsored by the Light distribution department, and the goals he scores are a source of constant pride to his father. Like all Brazilian boys, Carlos idolizes "King Pelé," the superstar who led Brazil to its third World Football Championship in 1970. Paulo and his family are enthusiastic soccer fans, and it's a special thrill when they attend the Maracana Stadium in Rio de Janeiro: it's the largest in the world with 200,000 seats.





Top/Paulo Almeida on the job
Centre left/the Almeida family at home
Centre right/Light tests Paulo's vision
Bottom left/Teresa Almeida at school
Bottom right/young Carlos in action

BRASCAN LIMITED AND SUBSIDIARY COMPANIES

Statement of Estimated Consolidated Income*

FOR THE SIX MONTHS ENDED JUNE 30
Expressed in Thousands of U.S. Dollars

(Subject to year-end audit and adjustments)

	1970	1969
OPERATING REVENUES:		
Electric	**$176,002**	$142,632
Gas		5,039
	176,002	147,671
OPERATING REVENUE DEDUCTIONS:		
Operating expenses	**103,732**	89,359
Income taxes (including withholding taxes)	**14,247**	11,369
Depreciation	**11,814**	11,531
Reversion	**11,107**	10,105
	140,900	122,364
OPERATING INCOME	**35,102**	25,307
OTHER INCOME:		
Interest under telephone sale agreement	**2,200**	2,283
Investment income	**4,640**	6,204
	6,840	8,487
NET INCOME BEFORE INCOME DEDUCTIONS	**41,942**	33,794
INCOME DEDUCTIONS:		
Interest on long-term debt	**1,988**	2,024
Interest charged construction—credit	**(1,977)**	(1,165)
Reversion interest	**2,681**	1,860
Foreign exchange adjustments	**(1,597)**	(762)
Equity of minority shareholders	**5,939**	3,954
	7,034	5,911
NET INCOME FOR PERIOD	**$ 34,908**	$ 27,883
AVERAGE ORDINARY SHARES OUTSTANDING	**21,170,874**	21,132,479
NET INCOME PER ORDINARY SHARE	**$ 1.65**	$ 1.32

*See Notes

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Statement of Estimated Consolidated Source and Application of Funds*

FOR THE SIX MONTHS ENDED JUNE 30
Expressed in Thousands of U.S. Dollars

(Subject to year-end audit and adjustments)

	1970	1969
FUNDS PROVIDED		
Funds provided from operations:		
Net income for period	**$34,908**	$27,883
Add:		
Depreciation	**11,814**	11,531
Reversion	**11,107**	10,105
Equity of minority shareholders	**5,939**	3,954
	63,768	53,473
Current portion of sale price of telephone utility	**1,547**	1,460
Customers' contributions in aid of construction	**1,016**	1,348
Long-term borrowings	**132**	3,852
Share capital issued		379
Increase in holdings of minority shareholders in subsidiary's capital	**788**	2,556
Miscellaneous changes in various asset and liability accounts	**2,591**	(1,771)
Decrease (increase) in working capital	**24,820**	(869)
	94,662	60,428
FUNDS USED		
Dividends—preference shares	**4**	6
—ordinary shares	**10,569**	14,090
Subsidiary dividend paid to minority shareholders	**5,445**	3,685
Capital expenditures	**39,259**	30,712
Reduction in long-term debt	**5,164**	5,103
Increase in non-utility investments	**33,453**	3,275
Increase in sundry assets	**76**	1,667
Decrease in deferred credits	**692**	1,890
	$94,662	$60,428

*See Notes

Brascan LIMITED

INTERIM REPORT TO THE SHAREHOLDERS

Six months ended June 30, 1970

Brascan
LIMITED

TO THE SHAREHOLDERS

Net income for the first half of 1970 is estimated at $34.9 million or $1.65 per ordinary share. This compares with $27.9 million or $1.32 per share in the same period last year. This improvement in the interim earnings should not be expected to continue at the same rate for the whole year. The increase is due to the combined effects of actual improvements in operating circumstances, the timing of electric rate adjustments and the impact of the variable factors and adjustments referred to in the Notes. It is anticipated that estimated net income in first half 1970 will be somewhat more than half of net income for the entire year. This is the reverse of the situation which prevailed in 1969.

The Brazilian economy has, during the first six months of 1970, sustained many of the encouraging trends reported in 1969. Industrial production increased by 10 per cent, exports were up an estimated 24 per cent and the balance of payments surplus rose by about $100 million to $330 million. When combined with an indicated decline in the rate of inflation these factors and others have produced a mood of confident optimism in Brazil.

Reflecting the improvement in the Brazilian economy, total electric sales in the first half were 8,729 million KWH, up 5.4 per cent from the same period last year. Due to greatly improved reservoir levels there was less thermal power generated, resulting in saving of fuel oil costs. Income was increased from rate adjustments put into effect during the period. As a result, billings were sufficient to cover not only the estimated cost of service during the period, but also to recover a significant portion of the earnings deficiency of Cr$17.5 million arising in 1969, when a drought increased the cost of service.

As already reported to shareholders, work is continuing on determination of the rate base for calculating allowable electric earnings. There are no new developments in proceedings concerning the value of the Company's investment in the gas services it formerly provided in Sao Paulo and Rio de Janeiro. Legal and administrative problems have held back the start of work on the hotel venture in Rio de Janeiro proposed by the Company and Intercontinental Hotels Corp.

In the capital investment program to expand and improve electric service, expenditures of $39.3 million were made in the first half, including part of the authorized $74.5 million 1970 capital budget and commitments incurred from previous budgets.

Brascan's non-utility investments made during the period amounted to $33.5 million, including the additional investment in John Labatt Limited announced in February; advances made to Fabricas Peixe S.A. (the food processing company in Brazil now controlled by Brascan); and commencement of the Canadian oil and gas program announced in May. Progress in the Canadian investment program is encouraging.

The Company now holds approximately one-third of the common shares of John Labatt Limited. Labatt's earnings per common share for the quarter ended July 31, 1970, were $0.45, up 5 per cent from a year ago. Earnings for the year ended April 30, before extraordinary income but after preferred dividends, were $1.45 per common share, up 22 per cent over the previous year.

The decline in interest rates, together with a reduction in funds available for short-term investments, accounts for most of the drop in total investment income reflected in the Income Statement.

Two dividends, amounting to $10.6 million, were declared during the first half on the increased number of shares resulting from the 20 per cent stock dividend declared a year ago. The dividends were paid at the regular quarterly rate of 25 cents per ordinary share.

The Canadian Government's proposed changes in Canada's income tax structure are now expected to take effect on January 1, 1972. The impact of any of these proposals on the Company will not be known until the terms of new legislation are formulated. Meantime Brascan Limited has become a tax-paying Canadian corporation, as announced last May, and Canadian shareholders are entitled to the dividend tax credits provided under the present Income Tax Act.

September 8, 1970

J. H. Moore
President

NOTES

EARNINGS—Under Brazil's "service at cost" system, the Company's allowable operating revenues from its electric utility service are based on the recovery of allowable costs, plus a return on the rate base. These can only be determined annually, after the end of the year, and as a result, for any interim period, can only be estimated. Any revenue which exceeds allowable levels is excluded from income, as it is available only for the purpose of meeting deficiencies of earnings, or establishing rates in subsequent years. However, any deficiencies of earnings are only recoverable from future rates, and are taken into income when received.

CURRENCY—Currency figures are expressed in United States dollars. The Company's procedures for translating revenue and expense items from cruzeiros into dollars are based on exchange rates which closely approximate average free market rates of exchange for the period under review. Because the cruzeiro/dollar rate changes periodically under the system of moving exchange rates, dollar equivalents of cruzeiro items in the Company's interim statements vary from period to period within a year.

In the current statement, cruzeiros were translated at Cr$4.456 to the dollar vs. Cr$3.961 a year ago.

ESTIMATES—Because of the variables and adjustments noted above, the Company's operating revenues for any interim period can only be estimated.